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September 10, 2009

IN REPLY REFER TO

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Mr. Andrew McGilvray
Executive Secretary
Foreign Trade Zones Board
U.S. Department of Commerce, Room 2111
1401 Constitution Avenue, NW
Washington, D.C. 20230-0002

RE: Federal Register Notice of Public Hearing and Reopening of Comment
Period: August 3, 2009, Volume 74, Number 147, Page 38401, Docket 51-2008:
Application for Subzone Authority, ThyssenKrupp Steel and Stainless USA, LLC,
Calvert, Alabama, Foreign Trade Zone 82

Dear Mr. McGilvray:

This letter is submitted on behalf of the one million active and retired members of the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW), many of whom are employed by auto companies and related manufacturing firms. This includes AK Steel (UAW Local 3044; Rockport, IN; UAW Local 3462; Coshocton, OH; and UAW Local 3303; Butler, PA) which provides carbon steel and stainless steel products to the domestic automobile industry.

The UAW opposes the application filed on October 1, 2008, by the City of Mobile, Alabama, Grantee of Foreign Trade Zone Number 82, on behalf of ThyssenKrupp Steel and Stainless USA, LLC and its affiliates to establish a foreign trade subzone at the ThyssenKrupp facilities in Calvert, Alabama. The ThyssenKrupp application fails to demonstrate that the subzone meets the basic public interest requirements set forth in the Foreign Trade Zones Act and regulations, and therefore, should be denied.

According to information provided in its application and subsequent comments, the ThyssenKrupp Calvert plant will have the capacity to produce approximately 5.8 million tons of high-grade flat carbon steel and one million tons of stainless steel annually. In its application, the company provided no evidence that the granting of the FTZ subzone would lead to an expansion of the projected production capacity of the plant.

ThyssenKrupp expects to export about a third of its stainless steel products from Calvert to its plant in Mexinox, Mexico, and to import 3.3 million tons of crude steel slabs each year from its operation in Sepetiba, Brazil. The Calvert plant is currently under construction and is expected to begin manufacturing operations in early 2010, with a work force of approximately 2,500.

If FTZ manufacturing authority were to be granted, the primary savings for ThyssenKrupp would come from the exemption of tariffs/customs duty payments on the foreign components used in export production. The company anticipates that it will export up to 27 percent of the plant's stainless steel shipments and five to ten percent of its carbon steel shipments. ThyssenKrupp projects that the inverted tariff benefit would result in annual savings of up to \$5 million. The primary economic impact of the FTZ subzone would be ThyssenKrupp's avoidance of \$5 million in duties on the raw materials used in the production stainless steel, without any appreciable benefit accruing to the overall American economy.

An application to establish a Foreign Trade Zone subzone must demonstrate that the subzone-based manufacturing activity is "not detrimental to the public interest." The FTZ Board must evaluate the public-interest impact by reviewing several threshold factors, and if relevant, additional economic factors. The application for FTZ subzone authority fails to meet these criteria.

The substantial financial gains accruing to ThyssenKrupp from the granting of FTZ authority would unfairly place domestic steel suppliers to the automotive industry at a competitive disadvantage. Given the current economic state of both the automotive and steel industries, characterized by significant overcapacity, any potential increase in income and employment in Calvert, Alabama resulting from such authority would come at the greater expense of lost income and employment elsewhere in the domestic economy.

U.S. trade and tariff law is subject to the rules/requirements of the World Trade Organization (WTO) and the multiple bilateral free-trade agreements (FTAs) the United States has negotiated over the past few decades. An analysis of the current ThyssenKrupp global operations suggests that a significant portion of expected imports will come from countries/regions with which the U.S. does not have a free-trade agreement, including Brazil. FTZ authority would provide ThyssenKrupp with the benefits of a free-trade agreement where none currently exists in U.S. international trade law.

With one of the largest and most open economies in the world, the United States would be acting to unilaterally reduce tariffs on steel products without negotiating corresponding tariff concessions from our trading partners. Foreign steel producers and auto component suppliers would be provided duty free access to the American market without their respective countries having to provide reciprocal tariff concessions and market access to the U.S. and its domestic

producers. The granting of FTZ authority would undermine U.S. leverage to negotiate international trade agreements removing such "significant trade barriers." The granting of FTZ manufacturing authority to ThyssenKrupp would remove a significant economic incentive to source these products in the United States, thereby contributing to U.S. trade imbalances and on this basis should be denied.

The granting of FTZ manufacturing authority to ThyssenKrupp would provide the company with an unfair competitive advantage relative to other domestic steel manufacturers. Domestic steel manufacturers and suppliers have already been put at a competitive disadvantage vis-à-vis ThyssenKrupp due to state and local subsidies provided to the company to locate its production facility in Calvert, AL. State and local governments have already provided, or will provide, \$811 million in subsidies to ThyssenKrupp, including \$461 million in direct payments composed of a \$314 million up-front cash payment, and \$147 million for training programs, land purchases, site preparation, and road building. ThyssenKrupp will also receive \$350 million in state and local tax credits. Thus, the estimated subsidy cost to the government for each job created by ThyssenKrupp in Alabama is approximately \$325,000.

The \$811 million figure does not include the \$115 million that the Port Authority of Alabama will spend on building a shipping terminal on Pinto Island for transferring steel. Nor does it include a stipulation in the state subsidy agreement that specifies that "in the event that state legislation is introduced that adds a new tax on energy, carbon dioxide, or the use of electricity, natural gas, coal, or industrial gases, the state shall use its best efforts to (1) defeat such legislation or (2) seek an amendment to such legislation providing the company an exemption there from." (www.siteselection.com/ssinsider/incentive/ti0706.htm)

In its January 8, 2009, "Rebuttal and Supplemental Information" filed on behalf of ThyssenKrupp Steel and Stainless USA, Kristine Price (Ernst & Young) argued that the granting of these "historically significant public benefits" evidenced the positive economic benefits that the project provided to the state (pages 13-4). Aside from the dubious claims of economic benefits accruing to the immediate geographic region, the mere granting of millions of dollars in subsidies is not evidence that such public revenue giveaways have a net positive effect on the American economy overall. In fact, these subsidies, like the granting of the FTZ subzone application itself, act to displace existing production and employment elsewhere in the domestic economy, rather than creating net marginal increases. This is particularly the case in the current economic environment characterized by overcapacity and weak demand for finished products.

The competitive advantage ThyssenKrupp would derive from the granting of FTZ authority, combined with the state and local subsidies it has already received, would adversely affect the domestic industry and would be detrimental to the national public interest. The resulting displacement of employment within the

domestic industry is contrary to the stated objective of U.S. energy and trade policy, namely the protection and creation of American jobs.

The FTZ Board is required to consider economic factors to determine the net effect of the proposed activity: i) overall employment impact, ii) exports and re-exports, iii) retention or creation of manufacturing or processing activity, iv) extent of value-added activity, v) overall effect on import levels of relevant products, including import displacement, vi) extent and nature of foreign competition in relevant products; vii) impact on related domestic industry, taking into account market conditions, and viii) other relevant information relating to public interest and net economic impact consideration, including technology transfers and investment effects.

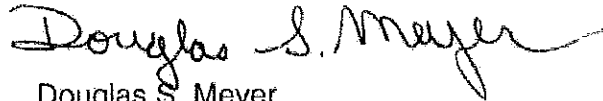
ThyssenKrupp failed to provide evidence that the granting of FTZ authority would "spur additional expansion and employment." In its application, ThyssenKrupp asserts that, "FTZ designation is an added incentive that encourages the company to maintain and potentially expand U.S. based production capacity," and "with FTZ status, ThyssenKrupp's Alabama steel production facility will be able to compete on a level playing field with imported steel products." But the ThyssenKrupp plant is being built in an economic environment in which current supply (capacity) is more than adequate to meet national and global demand. The severe global financial crisis has resulted in the extended shutdown of existing facilities, particularly in the sector that provides product to the domestic automotive industry. As pointed out by AK Steel in its December 8, 2008, public comments, the automotive sector "will be one of the principal markets targeted by the Thyssen plant." The granting of FTZ status to the ThyssenKrupp Alabama plant would allow it to unfairly compete on a non-level playing field with other domestic steel producers, including those supplying the American auto industry.

The establishment of the ThyssenKrupp plant in Calvert will create employment in Alabama, but only at an enormous economic cost to the rest of the nation. The local employment benefits are the result of the company's decision to locate at the site and the implementation of its global investment and manufacturing strategy, which was not dependent upon obtaining a grant of FTZ subzone authority in FTZ 82. Indeed, granting the application will not bring about additional employment benefits to Alabama. The new jobs calculation must be offset by the inevitable negative employment impact at existing U.S. steel facilities.

In conclusion, ThyssenKrupp's application for Subzone Authority for Foreign Trade Zone 82, in Calvert, AL, should be denied because the Company has failed to demonstrate that the zone-based activity would be in the public interest. Such authority would be inconsistent with U.S. trade and tariff laws and the policies of the Executive Branch, would prejudice current U.S. tariff and trade initiatives, would harm the domestic industry, and would have a net negative impact on domestic employment in the United States. For all of the foregoing

reasons, the UAW urges the Department of Commerce (FTZ Board) to reject ThyssenKrupp's application for such FTZ authority.

Respectfully submitted,

A handwritten signature in cursive script, reading "Douglas S. Meyer". The signature is written in dark ink and is positioned above the printed name and title.

Douglas S. Meyer
Deputy Director
International and Governmental Affairs

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